



COUNTY OF LOS ANGELES  
DEPARTMENT OF PARKS AND RECREATION

*"Parks Make Life Better!"*

Russ Guiney, Director

John Wicker, Chief Deputy Director

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December 17, 2013

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**DELEGATE AUTHORITY FOR APPROVAL OF A TRANSFER OF OWNERSHIP OF CERTAIN  
COUNTY GOLF LEASEHOLDS TO FORTRESS INVESTMENT GROUP LLC  
(SUPERVISORIAL DISTRICTS ALL) (3 VOTES)**

**SUBJECT**

The purpose of the recommended action is to request delegated authority to the Director of the Department of Parks and Recreation to approve a transfer of ownership of American Golf Corporation, which operates various County golf courses, to Fortress Investment Group LLC.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Find the proposed action exempt from the California Environmental Quality Act in accordance with Sections 15378 (b) (4) and (5) of the State California Environmental Quality Act Guidelines, because the action is an administrative/fiscal activity which by its terms does not involve any commitments to any specific projects which may result in a potentially significant physical impact on the environment.
2. Delegate authority to the Director of the Department of Parks and Recreation to execute a Consent to Change in Ownership, and any other necessary instruments, upon approval as to form by County Counsel, due to the transfer of American Golf Corporation to Fortress Investment Group LLC.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Your Board has previously approved a total of eight leaseholds with American Golf Corporation (AGC), which is currently a subsidiary of Goldman Sachs and Starwood Capital (GSSC), for the provision of Golf Course Management, Operation and Maintenance services. AGC is an operator in

good standing, current on all rental obligations, and not in default on any leaseholds. The golf courses operated and maintained by AGC are as follows:

- Chester Washington – Maggie Hathaway (2)
- Diamond Bar (4)
- El Cariso (3)
- La Mirada (4)
- Lakewood Country Club (4)
- Los Verdes (4)
- Knollwood (5)
- Mountain Meadows (1)

On September 9, 2013, AGC notified the Department of Parks and Recreation (Department) of the potential transfer of AGC, along with other GSSC subsidiaries, to Fortress Investment Group LLC (Fortress), which requires the County's consent. AGC will continue to be the Lessee under each leasehold and the terms and conditions of each lease (insurance, indemnification, rental payments, etc.), as well as the actual daily operation of the golf courses, will not change as a result of this acquisition.

AGC is also the leaseholder for El Cariso Golf Course. However, the El Cariso Lease is not included in the proposed transfer to Fortress as AGC has a minority partner in that lease and the minority partner does not want to sell its interest.

Fortress is a publicly traded asset management firm that advertises over \$50 billion in assets. Fortress, through certain funds and investment vehicles managed by it and its affiliates, is purchasing all of the stock of AGC from funds controlled by GSSC.

Of the eight AGC leases, seven contain a contractual requirement for payment of a transfer fee to the Department, based on the total sales price of each leasehold. Department staff has performed a leasehold interest valuation on these leases for purposes of determining the transfer fee payable. The transfer fee payable to the Department based on the leasehold interest valuation is a total of \$209,863. Because the Chester Washington – Maggie Hathaway Golf Course Agreement is presently on a month-to-month, there is no transfer fee. The Diamond Bar Golf Course Agreement does not include transfer fee language.

The Department requested that the Department of the Auditor-Controller (AC) conduct a review of the financial viability of Fortress as it relates to the acquisition of the leaseholds from GSSC. Upon completion of its review, the AC concluded that Fortress is financially viable to assume the leaseholds. The AC based its conclusion, in part, on recent bond ratings by Standard & Poors and FitchRatings.

Within Fortress' current holdings is Intrawest Resorts, which owns nine golf courses. The Department's Golf Division has surveyed a number of these golf course operators and has received positive feedback with regard to Fortress' management of its current golf course assets, via its subsidiaries.

### **Implementation of Strategic Plan Goals**

The recommended action will further the County's Strategic Plan Goal of Operational Effectiveness (Goal 1) by enriching the lives of County residents and visitors by ensuring quality regional open space, recreational, and public works infrastructure services for County residents, and deliver

customer oriented municipal services to the County's diverse unincorporated communities.

### **FISCAL IMPACT/FINANCING**

The Department has calculated the transfer fee, based on the leasehold interest valuation, the remaining years on each lease, and the current revenue projections from the operations of the Golf Courses. A per course breakdown is reflected in the chart below:

Golf Courses	Present Leasehold Value	Transfer Fee
Knollwood	\$ 3,430,331	\$ 34,303
La Mirada	\$ 3,802,529	\$ 38,025
Lakewood Country Club	\$ 3,030,539	\$ 30,305
Los Verdes	\$ 8,590,352	\$ 85,904
Mountain Meadows	\$ 2,132,635	\$ 21,326
Total	\$20,986,386	\$209,863

### **OPERATING BUDGET IMPACT**

Based on the recommended actions, the Department does not anticipate any additional ongoing revenues. However, one-time revenue is expected from the sale of AGC to Fortress in the form of transfer fees totaling \$209,863.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Under the recommended action, the Director will use delegated authority to approve the change in ownership and execute any amendments as approved by County Counsel.

### **ENVIRONMENTAL DOCUMENTATION**

The proposed administrative action is not subject to California Environmental Quality Act (CEQA) in that the action does not meet the definition of a project according to Sections 15378 (b) (4) (5) of the State CEQA Guidelines, because the action is an administrative/fiscal activity which by its terms do not involve any commitments to any specific projects which may result in a potentially significant physical impact on the environment.

### **CONTRACTING PROCESS**

The Contracting process does not apply since the proposed change of ownership is for existing contracts approved by the Board.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There will be no negative impact on current County services or projects during the performance of the recommended services.

**CONCLUSION**

It is requested that three adopted copies of the action taken by the Board be forwarded to the Department of Parks and Recreation.

Should you have any questions please contact Jorge Badel at (626) 821-4650 or jbadel@parks.lacounty.gov; Kandy Hays at (626) 821-4600 or khays@parks.lacounty.gov; or Kaye Michelson at (213) 738-2955 or kmichelson@parks.lacounty.gov.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Russ Guiney", is written in a cursive style.

RUSS GUINEY

Director

RG:KEH:GB

CK;JB:rc

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors